

Message Text

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ACTION L-03

INFO OCT-01 NEA-14 ISO-00 A-01 FBO-08 JUSE-00 AGR-20

USIA-15 PA-04 PRS-01 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 SAM-01

IO-14 DRC-01 FRB-03 SWF-02 SCA-01 SCS-03 /168 W

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R 241315Z SEP 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9143

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: MODALITIES OF PURSUING US CLAIMS AGAINST GOE

REF: STATE 186076 AND 205085

1. AM CHAGRINED AT OUR FAILURE TO COMMENT ON STATE 186076. I WAS UNDER IMPRESSION WE HAD DONE SO, BUT WE SEEM UNABLE FIND ANY RECORD OF SUCH REPLY. ACCORDINGLY, OUR VIEWS ON BOTH REFTELS ARE SET FORTH BELOW:

2. GENERAL: A FEW GENERAL OBSERVATIONS ARE IN ORDER. AS INDICATED IN PREVIOUS MESSAGES, I AM ANXIOUS TO EFFECT THE EARLIEST POSSIBLE SETTLEMENT OF BOTH OFFICIAL AND PRIVATE CLAIMS, BUT IN PURSUANT THIS OBJECTIVE WE SHOULD ALWAYS BEAR IN MIND THAT PERTINENT NEGOTIATIONS CANNOT BE CONDUCTED IN A POLITICAL VACUUM. INSTEAD, THEY MUST TAKE INTO ACCOUNT OUR OVERRIDING CONCERN THAT EGYPT CONTINUE TO BE ENCOURAGED TO COOPERATE IN THE DIFFICULT PEACEMAKING PROCESS IN WHICH USG AT ITS HIGHEST LEVELS IS INVOLVED.

A PART OF THIS PROCESS IS ENCOURAGING CONSTRUCTIVE EGYPTIAN ECONOMIC DEVELOPMENT IN ORDER TO CREATE A VESTED INTEREST IN THE MAINTENANCE OF PEACE. IN THESE CONTEXTS,
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WE SHOULD ASK FOR SETTLEMENT OF OUR CLAIMS, BUT DO SO IN

A COOPERATIVE, SYMPATHETIC AND UNDERSTANDING MANNER RATHER THAN AS LEGAL ADVERSARY PROCEEDINGS. WE SHOULD ALSO UNDERSTAND GOE IS FRANKLY TEPID ON THE WHOLE IDEA, EVEN THOUGH IT ACCEPTED OUR PROPOSAL FOR A JOINT CLAIMS COMMITTEE. GIVEN ITS CHRONIC HARD CURRENCY SHORTAGE, IT MAY BE EXPECTED TO BE CAUTIOUS ABOUT ANY NEGOTIATION WHOSE NET RESULT WILL ADD TO ITS LIABILITIES. EQUALLY SIGNIFICANT, GOE WILLINGNESS TO SETTLE OUR CLAIMS, ESPECIALLY THOSE IN THE PRIVATE SECTOR, IS LIKELY TO BE IN DIRECT PROPORTION TO THE EXTENT AND TIMING OF USG ECONOMIC ASSISTANCE THAT IT RECEIVES. WE ARE MINDFUL OF THE FACT THAT FAILURE WILL RESULT IN ADVERSE CONGRESSIONAL REACTION AND TO SOME EXTENT SO ARE EGYPTIANS. BUT UNLESS TANGIBLE US AID IS IN FACT FORTHCOMING, GOE WILL TEND TO FUZZ THE RELATIONSHIP BETWEEN THE TWO.

3. PUBLIC VS PRIVATE CLAIMS: TITLE OF JOINT GROUP AS USED IN GOE-ISSUED ANNOUNCEMENT OF JULY 13 IS "COMMITTEE" (CAIRO 5136). DEPT'S ATTENTION IS INVITED TO THE FACT GOE STATEMENT REFERS SOLELY TO "COMPENSATION OF AMERICAN NATIONALS FOR THEIR PROPERTY IN EGYPT, " I.E. PRIVATE CLAIMS. THIS IS CONSISTENT WITH DEPT'S PROPOSAL ON BASIS OF WHICH I FIRST DISCUSSED SUBJECT WITH HEGAZI (CAIRO 5066 AND STATE 146298). THIS DOES NOT NECESSARILY MEAN EGYPTIANS WOULD BE UNWILLING USE JOINT COMMITTEE FOR OFFICIAL CLAIMS, BUT WE SHOULD FIRST ASSURE OURSELVES THAT SUCH COMMITTEE APPROACH IS THE MOST EXPEDITIOUS MMEANS TO MEET SETTLEMENT OF OFFICIAL US CLAIMS. PERHAPS EGYPTIANS WILL WANT IT DONE IN THAT FORM, BUT ALTERNATIVE FOR HANDLING OF OFFICIAL CLAIMS IS SIMPLY ASK MFA TO BEGIN NEGOTIATIONS WITH US ON COMPENSATION FOR USG CLAIMS.

4. OFFICIAL CLAIMS: WE CONCUR IN PROPOSAL THAT OFFICIAL CLAIMS TALKS SHOULD COME FIRST AND WOULD LIKE TO BEGIN THESE AS SOON AS FEASIBLE. SOME OF THE OFFICIAL USG CLAIMS I.E. USIS BUILDING CAIRO, SHOULD HOPEFULLY BE RELATIVELY EASY TO REACH SINCE AS EARLY AS MAY 1967 (JUST BEFORE OUTBREAK OF HOSTILITIES), EGYPTIANS WERE READY TO GIVE US TITLE TO ANOTHER BUILDING OF APPROXIMATELY EQUAL VALUE FOR OUR DAMAGED USIS BUILDING. SEVERENCE OF LIMITED OFFICIAL USE

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DIPLOMATIC RELATIONS IN JUNE 1967 PREVENTED THIS TRANSFER, BUT WE HAVE HAD THAT BUILDING EVER SINCE, ARE NOW PUTTING THE NEW USIS LIBRARY INTO IT, AND ARE ANXIOUS TO GET FORMAL TRANSFER OF TITLE MADE TO US ASAP. OUR SEVERAL ALEXANDRIA PROPERTY CLAIMS WILL ALSO PROBABLY BE ACCEPTED IN PRINCIPLE, THOUGH WE WOULD EXPECT SOME PROBLEMS WITH PORT SAID AND FOOD FOR PEACE CLAIMS. IN THE CASE OF PORT SAID, EGYPTIANS APPARENTLY TOOK OVER THE BUILDING

AS ABANDONED PROPERTY WHEN WE LEFT IN JUNE 1967, AND WE HAVE ALREADY SUBMITTED NOTE TO MFA POINTING OUT THAT WE DID NOT ABANDON THAT PROPERTY IN THE LEGAL SENSE OF THE TERM AND ASKING THAT IT BE RETURNED TO US SOONEST. DO NOT KNOW EXACTLY WHAT IS INVOLVED IN FOOD FOR PEACE CLAIM AND HAVE NO OBJECTION TO SUBMITTING IT, BUT CONSIDER PROSPECTS OF SETTLEMENT OF THIS ONE AS DUBIOUS. IN CASE OF POSSIBLE USN CLAIMS, DEPT SHOULD BE AWARE THAT THERE MAY ALSO BE PRIVATE AND OFFICIAL EGYPTIAN COUNTER CLAIMS FOR LIABILITIES ALLEGEDLY BORNE BY THE EGYPTIAN SIDE. CONSIDER IT ESSENTIAL, HOWEVER, THAT WE SUBMIT ALL USG CLAIMS TOGETHER AND NOT PIECEMEAL. THE LATTER WILL SIMPLY BE REGARDED AS HARRASSMENT AND SOUR THE WHOLE ATMOSPHERE. WE WOULD THINK THAT BY NOW USG SHOULD HAVE ALL OF ITS DUCKS IN A ROW ON USG OFFICIAL CLAIMS AND BE READY TO PRESENT THAT PACKAGE.

5. MODALITIES: AS INDICATED ABOVE, WE WILL SOUND OUT GOE ON HOW IT WISHES TO HANDLE OFFICIAL USG CLAIMS TALKS. WE ARE DOUBTFUL THAT INFORMAL APPROACH SUGGESTED PARA 5 STATE 186076 WILL BE PRODUCTIVE IN ABSENCE SOMETHING TO PEG THIS ON, E.G. SKELETON LIST, BUT WE WILL PUT IT TO MFA. HEGAZI, WHO IS EXPECTED SHORTLY TO BE NAMED PRIME MINISTER, IS BUSY ORGANIZING HIS NEW GOVERNMENT AND IS UNLIKELY TO BE ABLE TO FOCUS ON THIS MATTER IN NEAR FUTURE. MINFINANCE ABDUL FATAH IS, UNFORTUNATELY, HOSPITALIZED WITH SERIOUS HEART ATTACK. IN ABSENCE FAHMY, WE PROPOSE FIRST APPROACH MFA UNDER SECY ABDUL GHAFAR, WHO IS RESPONSIBLE FOR AMERICAN AFFAIRS, AND WILL AT THAT TIME ALSO ASK FOR COPIES OF PERTINENT EGYPTIAN LAWS. THESE MAY NOT BE READILY AVAILABLE. IF

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TO SECSTATE WASHDC 9144

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THERE IS NO ADEQUATE REPRESENTATIVE, DEPT MAY WISH AUTHORIZE US TO ENGAGE LOCAL LEGAL ASSISTANCE TO OBTAIN THESE LAWS. ADDITIONALLY, RATHER THAN ASK THE EGYPTIANS WHAT PROCEDURES THEY PREFER, RECOMMEND WE GIVE THEM THE PROCEDURES WE WOULD LIKE TO HAVE FOLLOWED AND ON THE BASIS OF THEIR COMMENTS MAKE ANY MODIFICATIONS THAT MAY BE DESIRABLE.

6. COMPOSITION: COMPOSITION OF US SIDE, PROPOSED PARA 2, STATE 205085 GENERALLY SATISFACTORY. HOWEVER, IN VIEW SMALL SIZE EMBASSY STAFF, WE WILL NEED TDY HELP FROM L FOR ANY PROTRACTED TALKS. FSO JOHN G. KORMANN IS EMBASSY OFFICER SPECIFICALLY DESIGNATED TO HANDLE CLAIMS.

7. TIMING: NOTWITHSTANDING OUR DESIRE TO BEGIN EXPEDITIOUSLY, WE DO NOT CONSIDER IT POSSIBLE TO DO SO ON OCT 7 AND SUGGEST APPROXIMATELY ONE MONTH LATER. EGYPTIAN "VICTORY" CELEBRATIONS BEGIN OCT 6 AND LAST SEVERAL DAYS. ADDITIONALLY, WE EXPECT HIGH RANKING USG VISITORS IN THAT WEEK. FINALLY, THE PERIOD BEGINNING OCT 7 INAUGURATING LAST TEN DAYS OF RAMADAN, WHEN NATIONAL LASSITUDE IS AT ITS GREATEST, AND FOUR DAY ID AL-FITR CELEBRATIONS BEGIN OCTOBER 16 OR 17.
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IMMEDIATELY THEREAFTER WE HAVE A SERIES OF JWG MEETINGS IN CAIRO WHICH MUST BE SERVICED AND WHICH WILL LAST THROUGH THE END OF OCTOBER. IN CIRCUMSTANCES, SHOOTING FOR A NOVEMBER DATE WOULD SEEM TO BE A MORE REALISTIC TARGET. THERE IS NOT NEED FOR AN L REPRESENTATIVE TO ARRIVE UNTIL TALKS ACTUALLY TAKE PLACE.

8. DOCUMENTATION: MEANWHILE, PLEASE - A) LET US HAVE FULL LIST OF USG CLAIMS AND SUPPORTING DOCUMENTATION ASAP AND B) SKELETAL LIST OF PRIVATE CLAIMS SO THAT WE CAN TURN IT OVER TO HEGAZI. WITHOUT THE LATTER, WE MAY BE SURE EGYPTIANS WILL DO NOTHING ABOUT PRIVATE CLAIMS.
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